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TAGS: [PGOV](#) [IZ](#)
SUBJECT: PDS INEFFICIENT, BUT POTENTIAL ELECTORAL AND
CONFIDENCE BUILDING TOOL

Classified By: Political Officer Marty Dale for reasons 1.4 (b) and (d)

(U) This is a Baghdad PRT reporting cable.

11. (C) Summary. For Iraqis, timely and full receipt of their Public Distribution System (PDS) benefits is a Government of Iraq (GOI) performance indicator. The World Food Program estimates that 60 percent of Iraqis wholly or partially depend on PDS rations; deliveries, however, are often late, incomplete, or non-existent. Iraq's PDS -- the world's largest public food subsidy program -- is expensive, inefficient and plagued by corruption. In Baghdad, corruption, sectarianism, and security problems impede ration deliveries. Furthermore, Internally Displaced Persons (IDPs) suffer numerous bureaucratic hurdles when trying to receive PDS benefits after relocation. While the PDS continues to be economically unsound, there may be some merit in improving the efficiency and reliability of PDS as a database and identification tool for future electoral events, not to mention increasing Iraqi confidence in their government. End summary.

Background

12. (SBU) Saddam Hussein designed the massive PDS to supply Iraqis with supplemental rations of basic foodstuffs during the Iran-Iraq War. The program was expanded in the mid-1990s under the Oil for Food Program. Largely unchanged since its inception, the PDS continues under the Ministry of Trade (MOT). The MOT purchases PDS "basket" items from international and domestic suppliers, then distributes its goods through a network of warehouses and food agencies. If fully supplied, the PDS requires 520,000 metric tons of foodstuffs per month. (Note: monthly transport of a fully supplied PDS would require approximately 20,000 truckloads or a fully loaded C-130 landing every 32 seconds carrying over twice the monthly tonnage of the 1948-9 Berlin Airlift. End note.) The MOT purchases PDS items through two state owned enterprises (SOEs): the State Board for Grain Trading and the State Company for Foodstuffs, and has primary foodstuff warehouses located in Basrah, Dahuk, and Baghdad. Goods coming through Umm Qasr port are stored in Basrah, imports from Turkey and Syria are stored in Dahuk, and goods from Jordan and Iran are stored in Baghdad. From these main warehouses, roughly 500 MOT owned and operated trucks transport goods to smaller governorate warehouses.

Massive, Inefficient, and Expensive

13. (SBU) The PDS, key inefficiencies stem from the MOT's procurement and logistics. Rather than making routine purchases for sufficient stockpiles and ensuring reliable supply, the MOT buys commodities only when stockpiles

dwindle. As a result, the MOT must buy commodities at premium "spot prices," increasing expenditures. Furthermore, GOI contracting regulations require the High Contracting Committee (HCC) approve all contracts exceeding 20 million USD, a time consuming process that essentially includes all MOT purchases of wheat and rice. Next, a Ministry of Finance letter of credit is required for most of the MOT PDS purchases - a 90 day process even under favorable conditions.

Insufficient storage capacity limits the MOT's ability to meet PDS demand in a timely manner. Finally, once procured, goods are channeled through a poorly organized, haphazard network of warehouses and food agents. (Note: truck drivers carrying PDS goods frequently report intimidation, extortion, hijackings, kidnappings, and attacks. End note.)

PDS Ration Cards: A Repository for Demographic
and Census Data

14. (SBU) Ration Cards (RC) serve as the primary instrument for allocation of PDS goods. Families registered in the PDS database receive an annually renewed RC from their Ration Registration Center (644 Ration Registration Centers nationwide). (Note: in the absence of more suitable documentation, PDS Ration Cards (RCs) have come to serve as a national identification card, also used for gathering demographic and census data. The PDS is also being used by the Independent High Electoral Commission (IHEC) as the basis for preparing the voter registration list for the upcoming provincial elections. End note.) The RC is an A3 sheet of paper: the right side of the document contains beneficiary information, card number, district, head of household, household size, and corresponding food agent. The left side contains 132 coupons

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that are submitted to a food agent every month for each of the 11 foodstuff items.

15. (SBU) More than 50,000 food agents distribute PDS items to RC holders. Most food agents are local grocers who sell non-PDS alongside PDS goods. Beneficiaries pay a fee of 250 Iraqi Dinars (USD 0.20) per month for a basket of goods valued at roughly 30,000 Iraqi Dinars (USD 24.00). Beneficiaries must renew their RCs in November or risk losing their benefits for the following year.

Corruption, Sectarianism, and Security

16. (SBU) The media and various councils report corruption in the PDS at all levels. Some individuals operating food distribution businesses perform PDS related contracts for the GOI at inflated prices and as a result, the PDS has evolved into a channel of public funds to political patrons. There are accounts of distribution firms substituting lower quality goods for PDS commodities and food agents simply selling all the PDS goods at market prices.

17. (C) Baghdad PRT contacts claim that sectarian motives sometimes cause delays in the delivery of PDS rations to predominantly Sunni areas. GOI officials often blame these delays on security concerns. Some Baghdad PRT contacts have complained that elements of Jaysh Al-Mehdi (JAM) staff the Facilities Protection Service guard force that provides security for food warehouses and they have refused to release deliveries bound for Sunni areas.

Internally Displaced Persons Hardest Hit

18. (SBU) Internally Displaced Persons (IDPs) often encounter difficulties transferring their ration cards from one area to another. For example, if an IDP moves from Rashid to

Kadhimiya, the IDP must submit an application to the Ration Registration Center in Kadhimiya. The Registration Center in Kadhimiya notifies its counterpart in Rashid, and the Rashid Registration Center should remove the IDP from its database. The Kadhimiya Registration Center will not begin the process of registering the IDP until it receives confirmation that the IDP has been removed from the Rashid Registration Center's database. This is a time-consuming process. Sectarian malfeasance can add to the delay if, for example, an IDP is a Sunni and a Shia processes the transfer and procrastinates in removing the IDP from the register, thus preventing the IDP from re-enrolling in a new area.

19. (SBU) Comment: USG efforts are attempting to improve PDS operations through technical assistance in the areas of procurement and delivery. The UN also plans to increase its engagement with the GOI on the PDS. IMF and the World Bank have advocated sweeping reforms such as monetizing benefits instead of coupons. This would be less disruptive to private sector activity, but cash payments would be hindered by a dysfunctional banking system; and would require transporting huge sums of cash in an uncertain security environment. End Comment.

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